

Exhibit B
Budget Detail and Payment Provisions

1. Budget Contingency Clause

- A. It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the program, this Agreement shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.
- B. If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this program, the State shall have the option to either cancel this Agreement with no liability occurring to the State, or offer an agreement amendment to Contractor to reflect the reduced amount.

2. Amounts Payable

The amounts payable under this agreement shall not exceed:

- 1) \$XXX,XXX for the budget period of XX/XX/XX through XX/XX/XX.
- 2) \$XXX,XXX for the budget period of XX/XX/XX through XX/XX/XX.
- 3) \$XXX,XXX for the budget period of XX/XX/XX through XX/XX/XX.

3. Contractor Risk In Providing Services

Contractor will assume the total risk of providing the Covered Services on the basis of the periodic capitation payment for each Member, except as otherwise allowed in this Contract. Any monies not expended by the Contractor after having fulfilled obligations under this Contract will be retained by the Contractor.

4. Capitation Rates

- A. DHS shall remit to Contractor a capitation payment each month for each Medi-Cal Member that appears on the approved list of Members supplied to Contractor by DHS. The capitation rate shall be the amount specified below. The payment period for health care services shall commence on the first day of operations, as determined by DHS. Capitation payments shall be made in accordance with the following schedule of capitation payment rates:

Aid Code Rate Groups:

Family: 01, 0A, 02, 08, 30, 32, 33, 34, 35, 38, 39, 40, 42, 47, 54, 59, 3A, 3C, 3E, 3G, 3H, 3L, 3M, 3N, 3P, 3R, 3U, 4F, 4G, 4M, 5X, 7X, 72, 8P

Aged: 10, 14, 16, 18, 1H

Disabled: 20, 24, 26, 28, 36, 60, 64, 66, 68, 6A, 6C, 6H, 6N, 6P, 6R, 6V

Child: 03, 04, 45, 82, 4A, 4C, 4K, 5K, 7J, 8R,

Adult: 86

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For the Period (Month) 1, 200X through September 30, 200X

Family	\$
Aged	\$
Disabled	\$
Child	\$
Adult	\$
AIDS Beneficiary Rate	\$

- B. If DHS creates a new aid code that is split or derived from an existing aid code covered under this Contract, and the aid code has a neutral revenue effect for the Contractor, then the split aid code will automatically be included in the same aid code rate group as the original aid code covered under this Contract. Contractor agrees to continue providing covered services to the Members at the monthly capitation rate specified for the original aid code. DHS shall confirm all aid code splits, and the rates of payment for such new aid codes, in writing to Contractor as soon as practicable after such aid code splits occur.

5. Capitation Rates Constitute Payment In Full

Capitation rates for each rate period, as calculated by DHS, are prospective rates and constitute payment in full, subject to any stop loss reinsurance provisions, on behalf of a Member for all Covered Services required by such Member and for all Administrative Costs incurred by the Contractor in providing or arranging for such services. DHS is not responsible for making payments for recoupment of losses.

6. Determination Of Rates

- A. DHS shall determine the capitation rates from the Contract effective date of operations, through September 30, _____. Subsequent to September 30, _____ and through the duration of the Contract, DHS shall make an annual redetermination of rates in accordance with Title 22, CCR, Section 53869 for each rate year defined as the 12-month period from October 1, through September 30. DHS reserves the right to establish or negotiate rates on an actuarial basis or move to a negotiated rate for each rate year. All payments and rate adjustments are subject to appropriations of funds by the Legislature and the Department of Finance approval. Further, all payments are subject to Title 42, CFR 447.361 and the availability of Federal congressional appropriation of funds.
- B. If DHS establishes rates on an actuarial basis, it shall determine whether the rates shall be increased, decreased, or remain the same. If it is determined by DHS that Contractor's capitation rates shall be increased or decreased, increase or decrease shall be effectuated through a Change Order to this Contract in accordance with the provisions of Exhibit E, Attachment 2, provision 4, regarding Change Requirements, subject to the following provisions:
1. The Change Order shall be effective as of October 1 of each year covered by this Contract.
 2. In the event there is any delay in a determination to increase or decrease capitation rates, so that a Change Order may not be processed in time to permit payment of new rates commencing October 1, the payment to Contractor shall continue at the rates then in effect. Those continued payments shall constitute payment only. Upon

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final approval of the Change Order providing for the rate change, DHS shall make retroactive adjustments for those months for which payment was made.

3. By accepting payment of new annual rates prior to full approval by all control agencies of the Change Order to this Contract implementing such new rates, Contractor stipulates to a confession of judgment for any amounts received in excess of the final approved rate. If the final approved rate differs from the rates agreed upon by Contractor and DHS:
 - a. Any underpayment by the State shall be paid to Contractor within 30 days after final approval of the new rates.
 - b. Any overpayment to Contractor shall be recaptured by the State's withholding the amount due from Contractor's next capitation check. If the amount to be withheld from that capitation check exceeds 25 percent of the capitation payment for that month, amounts up to 25 percent shall be withheld from successive capitation payments until the overpayment is fully recovered by the State.
4. If mutual agreement between DHS and Contractor cannot be attained on capitation rates for rate years subsequent to September 30, ____ resulting from a rate change pursuant to this provision 6. or provision 7. below, Contractor shall retain the right to terminate the Contract, but no earlier than September 30, _____. Notification of intent to terminate a Contract shall be in writing and provided to DHS at least nine months prior to the effective date of termination, subject to any earlier termination date negotiated in accordance with Exhibit E, Attachment 2, provision 14, regarding Termination – Contractor. DHS shall pay the capitation rates last offered for that rate period until the Contract is terminated.
5. DHS shall make every effort to notify and consult with Contractor regarding proposed redetermination of rates pursuant to this section or provision 7, below at the earliest possible time prior to implementation of the new rate.

7. Redetermination Of Rates - Obligation Changes

The capitation rates may be adjusted during the rate year to provide for a change in obligations which results in an increase or decrease of more than one percent of cost (as defined in Title 22, CCR, Section 53869) to the Contractor. Any adjustments shall be effectuated through a Change Order to the Contract subject to the following provisions:

- A. The Change Order shall be effective as of the first day of the month in which the change in obligations is effective, as determined by DHS.
- B. In the event DHS is unable to process the Change Order in time to permit payment of the adjusted rates as of the month in which the change in obligations is effective, payment to Contractor shall continue at the rates then in effect. Continued payment shall constitute payment only. Upon final approval of the Change Order providing for the change in obligations, DHS shall make adjustments for those months for which payment was made.
- C. DHS and Contractor may negotiate an earlier termination date, pursuant to Exhibit E, Attachment 2, provision 14, regarding Termination – Contractor, if a change in contractual obligations is created by a State or Federal change in the Medi-Cal program, or a lawsuit,

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that substantially alters the financial assumptions and conditions under which Contractor entered into this Contract, such that Contractor can demonstrate to the satisfaction of DHS that it cannot remain financially solvent until the termination date that would otherwise be established under this provision.

8. Reinsurance

- A. Contractor may obtain reinsurance (stop loss coverage) through DHS or other insurers to ensure maintenance of adequate capital by Contractor for the cost of providing Covered Services under this Contract. Reinsurance will not limit the Contractor's liability below \$5,000 per Member for any 12-month period as specified by DHS. The Contractor may obtain reinsurance for both of the factors described in Title 22, CCR, Section 53252 (a)(2)(A) & (B).
- B. If Contractor selects State reinsurance, Contractor will submit a reinsurance claim form along with copies of the actual claims upon exceeding the reinsurance threshold. As part of the processing, actual claims are priced to appropriate Medi-Cal rates and the appropriate amount in excess of the reinsurance threshold is remitted to the Contractor by DHS.
 - 1. Claims submitted will not be paid by DHS unless received by DHS not later than the last day of the sixth month following the end of the 12-month **contract** period in which they were incurred.
 - 2. The time specified for submission of claims may be extended for a period not to exceed one year upon a finding of "good cause" by the Director in the following circumstances:
 - a. Where the claim involves health coverage, other than Medi-Cal, and the delay is necessary to permit the Contractor to obtain payment, partial payment, or proof of non-liability of that other health coverage.
 - b. Where the claim submission was delayed due to eligibility certification or determination by the State or county.
 - c. Where there was substantial interference with claim submission due to damage to, or destruction of, the Contractor's (or subcontractor's) business office or records by a natural disaster, including fire, flood or earthquake, or other similar circumstances.
 - d. Where delay in claims submission was due to other circumstances that are clearly beyond the control of the Contractor. Circumstances that will not be considered beyond the control of the Contractor include, but are not limited to:
 - i. Negligence or delay of the Contractor or Contractor's employees, agents, and subcontractors.
 - ii. Misunderstanding of or unfamiliarity with Medi-Cal regulations, or the terms of this Contract.

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- iii. Illness, absence or other incapacity of a Contractor's employee, agent, or subcontractor responsible for preparation and submission of claims.
- iv. Delays caused by the United States Postal Service or any private delivery service.

9. Catastrophic Coverage Limitation

DHS may limit the Contractor's liability to provide or arrange and pay for care for illness of, or injury to Members, which results from or is greatly aggravated by, a catastrophic occurrence or disaster. Contractor will return a prorated amount of the capitation payment following the DHS Director's invocation of the catastrophic coverage limitation. The amount returned will be determined by dividing the total capitation payment by the number of days in the month. The amount will be returned to DHS for each day in the month after the Director has invoked the catastrophic coverage limitation clause.

10. Financial Performance Guarantee

Contractor shall provide satisfactory evidence of, and maintain Financial Performance Guarantee in, an amount equal to at least one month's capitation payment, in a manner specified by DHS. At the Contractor's request, and with DHS approval, Contractor may establish a phase-in schedule to accumulate the required Financial Performance Guarantee. Contractor may elect to satisfy the Financial Performance Guarantee requirement by receiving payment on a post payment basis. The Financial Performance Guarantee shall remain in effect for a period not exceeding 90 days following termination or expiration of this Contract unless DHS has a financial claim against Contractor. Further rights and obligations of the Contractor and the Department, in regards to the Financial Performance Guarantee, shall be as specified in Title 22, CCR, Section 53865.

11. Recovery Of Capitation Payments

DHS shall have the right to recover from Contractor amounts paid to Contractor in the following circumstances as specified:

- A. If DHS determines that a Member has either been improperly enrolled due to ineligibility of the Member to enroll in Contractor's plan, residence outside of Contractor's Service Area, or pursuant to Title 22, Section 53891(a)(2), or should have been disenrolled with an effective date in a prior month, DHS may recover or, upon request by Contractor, DHS shall recover the capitation payments made to Contractor for the Member and absolve Contractor from all financial and other risk for the provision of services to the Member under the terms of the Contract for the month(s) in question. In such event, Contractor may seek to recover any payments made to providers for Covered Services rendered for the month(s) in question. Contractor shall inform providers that claims for services provided to Members during the month(s) in question shall be paid by DHS' fiscal intermediary, if the Member is determined eligible for the Medi-Cal program.

Upon request by Contractor, DHS may allow Contractor to retain the capitation payments made for Members that are eligible to enroll in Contractor's plan, but should have been retroactively disenrolled pursuant to Exhibit A, Attachment 11, provision 17, regarding Excluded Services Requiring Member Disenrollment, or under other circumstances as approved by DHS. If Contractor retains the capitation payments, Contractor shall provide or arrange and pay for all Medically Necessary Covered Services for the Member, until the

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Member is disenrolled on a nonretroactive basis pursuant to Exhibit A, Attachment 16, provision 3, regarding Disenrollment.

- B. As a result of Contractor's failure to perform contractual responsibilities to comply with mandatory federal Medicaid requirements, the Federal Department of Health and Human Services (DHHS) may disallow Federal Financial Participation (FFP) for payments made by DHS to Contractor. DHS may recover the amounts disallowed by DHHS by an offset to the capitation payments made to Contractor. If recovery of the full amount at one time imposes a financial hardship on Contractor, DHS at its discretion may grant a Contractor's request to repay the recoverable amounts in monthly installments over a period of consecutive months not to exceed six months.
- C. If DHS determines that any other erroneous or improper payment not mentioned above has been made to Contractor, DHS may recover the amounts determined by an offset to the capitation payments made to Contractor. If recovery of the full amount at one time imposes a financial hardship on Contractor, DHS, at its discretion, may grant a Contractor's request to repay the recoverable amounts in monthly installments over a period of consecutive months not to exceed six months. At least 30 days prior to seeking any such recovery, DHS shall notify Contractor to explain the improper or erroneous nature of the payment and to describe the recovery process.

12. Payment Of AIDS Beneficiary Rate

- A. Compensation at the AIDS Beneficiary Rate (ABR)

Subject to Contractor's compliance with the requirements contained in subparagraph 1. below, Contractor shall be eligible to receive compensation at the ABR for AIDS Beneficiaries. Compensation to Contractor at the ABR for each AIDS Beneficiary shall consist of payment at the ABR less the capitation rate initially paid for the AIDS beneficiary.

- 1. Compensation at the ABR shall be subject to the conditions listed below. Contractor's failure to comply with any of the conditions listed below for any request for compensation at the ABR on behalf of an individual AIDS Beneficiary for a specific month of Enrollment shall result in DHS' denial of Contractor's claim for compensation at the ABR for that individual AIDS Beneficiary for that specific month of Enrollment. Contractor may submit a corrected claim, within the timeframes specified in paragraph d below, that complies with all the conditions listed below and DHS shall reimburse Contractor at the ABR.
 - a. The ABR shall be in lieu of any other compensation for an AIDS Beneficiary in any month.
 - b. For AIDS Beneficiaries, Contractor shall be eligible to receive compensation at the ABR commencing in the month in which a Diagnosis of AIDS is made and recorded, dated and signed by the treating physician in the AIDS Beneficiary's Medical Record.
 - c. Contractor shall submit an invoice to DHS by the 25th day of each month for claims for compensation at the ABR for AIDS Beneficiaries. The invoice shall include the following:

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- 1) A list of all AIDS Beneficiaries identified by Medi-Cal numbers only for whom the Contractor is claiming compensation at the ABR. Member names shall not be used.
 - 2) The month(s) and year(s) for which compensation at the ABR is being claimed for each AIDS Beneficiary listed, sorted by month and year of service.
 - 3) The capitation rate initially paid for the AIDS Beneficiary for each month being claimed by the Contractor, the ABR being claimed, and the difference between the ABR and the capitation rate initially paid for the AIDS Beneficiary.
 - 4) The total amount being claimed on the invoice.
- d. Invoices, containing originally submitted claims or corrected claims, for compensation at the ABR for any month of eligibility during the rate year beginning October 1, _____, and ending September 30, _____, or any rate year thereafter beginning October 1 and ending September 30, must be submitted by Contractor to DHS no later than six months following the end of the subject rate year.
- e. Invoices shall include the Agreement Number and shall be submitted to:
- Department of Health Services
Medi-Cal Managed Care Division
Attn: Fiscal Analysis Unit
714 P Street, Room 650
P.O. Box 942732
Sacramento, CA 95814
- In addition, invoices shall:
- 1) Be prepared on company letterhead.
 - 2) Bear the Contractor's name as shown on the agreement.
 - 3) Be signed by an authorized official, employee or agent.
2. Contractor shall confirm Medi-Cal eligibility of AIDS Beneficiaries prior to submission of the monthly invoice to DHS. DHS may verify the Medi-Cal eligibility of each Member for whom the ABR is claimed and adjust the invoiced amounts to reflect any capitation payments which have been previously made to Contractor for each Member prior to submission of the invoice required under paragraph 1.c above.
3. If DHS determines that a Member for whom compensation has been paid at the ABR did not meet the definition of an AIDS Beneficiary, in a month for which the ABR was paid, DHS shall recover any amount improperly paid, by an offset to Contractor's capitation payment, in accordance with provision 11. Recovery of Capitation Payments, paragraph C. DHS shall give Contractor 30 days prior written notice of any such offset.

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B. Prompt Payment Clause

Payment will be made in accordance with, and within the time specified in, Chapter 4.5 (commencing with Section 927), Part 3, Division 3.6, of Title 2 of the Government Code.

C. Timely Submission of Final Invoice

1. A final undisputed ABR invoice shall be submitted for payment no more than ninety (90) calendar days following the expiration or termination date of this agreement, unless a later or alternate deadline is agreed to in writing by the program contract manager. Said ABR invoice should be clearly marked "Final Invoice - ABR", thus indicating that all payment obligations of the State under this agreement have ceased and that no further payments are due or outstanding.
2. The State may, at its discretion, choose not to honor any delinquent final ABR invoice if the Contractor fails to obtain prior written State approval of an alternate final ABR invoice submission deadline. Written State approval shall be sought from the program contract manager prior to the expiration or termination date of this agreement.
3. The Contractor is hereby advised of its obligation to submit, with the final ABR invoice, a "Contractor's Release (Exhibit F)" acknowledging submission of the final ABR invoice to the State and certifying the approximate percentage amount, if any, of recycled products used in performance of this agreement.